
Purpose	Describe factors influencing food costs which have an impact on WIC food package costs
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Food Package Cost	<p>A. Food costs are the acquisition cost of the supplemental foods provided on the WIC Program. Several factors may influence food costs and thus impact the cost of the WIC food package.</p> <ol style="list-style-type: none">1. Inflation plays a major role in the Program. There are two indicators used to track WIC food price inflation.<ol style="list-style-type: none">a. The cost index for the Food Stamp Program reference household is used by Food Nutrition Services (FNS) to calculate the inflation factor used to allocate WIC State food grants.b. The Bureau of Labor Statistics (BLS) produces the <u>Consumer Price Index for all Urban Consumers (CPI-U) for Food at Home</u> which is a measure of the average change in prices for selected foods, including components of the WIC food package are reported.2. Seasonal events including weather conditions and market manipulation contribute to a rise or fall in food prices.3. Forms of food such as the size and type of packaging; the variety such as fresh, canned and frozen; and other ingredients added to the product contribute to food costs.4. Brands of products authorized may produce price variations.5. Participating grocery stores may also influence prices depending on store size, location, ownership, etc.6. Category of participants will change the caseload mix and contribute to price fluctuation since the food packages for women, infants and children vary in cost.7. Amount of foods prescribed to individual participants through tailoring will vary the cost of the food package.8. Special needs of participants, which may require special authorized formula or specific types of milk and milk products in the food package, will influence the package cost.
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Retroactive Benefits	Program funds may not be used to pay for retroactive benefits.
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Administrative Adjustment	<p>B. Food costs may be controlled through the process by which a state agency makes modifications to the brands, types and forms but not quantities of federally allowable foods and food packages to establish those food items generally acceptable in the state. For more information on administrative adjustment see Volume III, Section B.</p>
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Infant Formula Rebates

- C. Infant Formula Rebates are the result of the Cost Containment Initiative (PL 101-147) which Congress passed in 1989. This law requires all state WIC programs to have a cost containment initiative for standard milk and soy-based infant formulas. The State may join together with one or more other states for the purpose of procuring infant formula through the competitive bid process. This is called a State alliance.
1. Each state (or alliance) must use either sole source or multiple source competitive rebate systems.
 - a. Sole source rebate is the method in which one manufacturer is selected by a competitive process to provide standard and soy-based formula through retail grocery stores. All other manufacturers' brands of standard formula are restricted. The manufacturer provides a rebate for each can of its standard milk and soy-based infant formula purchased by the WIC Program.
 - b. A multiple source competitive rebate is the method in which two separate bid solicitations are issued: one for milk-based infant formula and one for soy-based infant formula. All other manufacturers' brands of standard milk and soy-based formula are restricted. This bid option is mandated for states serving an average of 100,000 or more infants per month.
 2. USDA regulations recognize that sole source rebates usually offer the greatest savings and all other options must be compared to sole source rebates. These steps must be followed:
 - a. Through a competitive process, obtain bids for sole source rebates only.
 - b. Through a competitive process, obtain bids for sole source rebates and for other types of rebates, such as multiple source, if the state wishes to consider types of rebates other than sole source.
 - i. Compare the savings that these bids would provide to the WIC Program.
 - ii. Select the rebate system providing the greatest savings.
 3. Prior to implementation of the infant formula rebate, the state must prepare and release an Invitation to Bid for primary providers of infant formula for the WIC Program. In order to meet specific statutory and regulatory requirements the Invitation to Bid shall include the following:
 - a. The composition of State alliances, if applicable.
 - b. Verification that no additional States shall be added to the State alliance between the date of the bid solicitation and the end of the contract.
 4. The State must provide a minimum of 30 days between the publication of the solicitation and the date on which the bids are due.

5. If the Invitation to Bid is issued by the State of Nebraska, a notice will be sent to potential bidder and will be posted on the State of Nebraska Administrative Services web site.
 6. The State shall publicly open and read all bids aloud on the day the bids are due.
 7. Claims to the selected contractor for infant formula rebates are filed by the state office on a regular basis, no less than monthly.
 - a. The State will have a system to ensure that the rebate invoices under competitive bidding provide a reasonable estimate or an actual count of the numbers of units sold to WIC participants.
 - b. Claims for rebates are made from the Redeemable Infant Formula By Brand Report, which is generated by the State. This report prints the number of cans of each type of contract formula that were redeemed during the report month. Each type of formula is reported by issue month. The total for each is then multiplied by the unit rebate amount to arrive at a total rebate for that type of formula.
 - c. Rebate payments are made to the state agency within 30 days of the date the manufacturer received the invoice for such payments.
 8. The rebates are a reduction to food fund expenditures rather than actual “new” money for the WIC Program.
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**Rebates or Cost
Containment
Systems for Items
other than Infant
Formula**

- D. The State may implement cost containment systems for other supplemental foods if it is practicable and feasible.